

# **City of Hamtramck, Michigan**

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## **Financial Report with Additional Information June 30, 2003**

# City of Hamtramck, Michigan

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## Independent Auditor's Report

To the Emergency Financial Manager,  
Honorable Mayor, and City Council  
City of Hamtramck, Michigan

We have audited the accompanying general purpose financial statements of the City of Hamtramck, Michigan as of June 30, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Hamtramck, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 4, the capital assets recorded in the Water and Sewer Enterprise Fund do not include any assets acquired before June 30, 1986. Had such assets been recorded, the capital assets and fund equity would have been increased from the amounts reported in these general purpose financial statements, and depreciation expense would have been increased. As discussed in Note 7, the expenditure categories have been aggregated on a different basis than that used in adopting the budget; this affects the ability to compare actual expenditures to budgeted amounts. In addition, as discussed in Note 9, the City has a net pension obligation resulting from pension contributions in the 1980s and 1990s that were less than the actuarially required amounts. This liability has not been valued and recorded in the General Long-term Debt Account Group. The amount of this error is not determinable.

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To the Emergency Financial Manager,  
Honorable Mayor, and City Council  
City of Hamtramck, Michigan

The accompanying general purpose financial statements do not present government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. In addition, the combining component unit information presents only modified accrual information. Furthermore, the City has not followed the formatting of separately reporting its governmental funds (including major funds), proprietary funds (including major Enterprise Funds), and fiduciary funds. The City has continued to report information by fund type and account group; the General Fixed Assets Account Group excludes general infrastructure assets and accumulated depreciation. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements and full accrual information for the combining component unit statements. Further, accounting principles require separate fund-based reporting of its governmental funds (including major funds), proprietary funds (including major Enterprise Funds), and fiduciary funds. In addition, accounting principles require the general fixed asset data to include general infrastructure assets, and the accumulation of depreciation of government-wide financial statements for the City's governmental activities, business-type activities, and discretely presented component units (including the full accrual combining component unit date), as well as the amounts of general infrastructure assets and general fixed asset accumulated depreciation are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the general purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Hamtramck, Michigan as of June 30, 2003 or the changes in its financial position of its cash flows, where applicable, for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying general purpose financial statements also do not include a management's discussion and analysis (which would present an analysis of the financial performance for the year) or budgetary comparison schedules with original appropriations for the General Fund and each major Special Revenue Fund. The Governmental Accounting Standards Board has determined that these are necessary to supplement, although not required to be a part of, the financial statements.

*Plante & Moran, PLLC*

December 12, 2003

# City of Hamtramck, Michigan

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Debt Service	Enterprise
<b>Assets</b>				
Cash and investments (Note 2)	\$ 602,063	\$ 2,941,571	\$ 203,060	\$ 1,082,081
Receivables:				
Taxes	727,993	15,074	20,783	-
Customer	-	-	-	2,617,669
Other	87,276	121,608	-	-
Due from other governmental units	2,278,100	295,986	-	-
Due from other funds (Note 3)	886,800	1,211,164	62,085	606,468
Due from component unit	83,764	-	-	-
Prepaid expenditures and deposits	21,750	-	-	-
Capital assets (Note 4)	-	-	-	2,073,837
Amount available in Debt Service Funds	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets	<u>\$ 4,687,746</u>	<u>\$ 4,585,403</u>	<u>\$ 285,928</u>	<u>\$ 6,380,055</u>
<b>Liabilities and Fund Equity (Deficit)</b>				
<b>Liabilities</b>				
Accounts payable	\$ 573,761	\$ 580,188	\$ -	\$ 796,507
Due to other governmental units	-	-	-	-
Due to other funds	1,857,328	799,732	-	48,429
Due to primary government	-	-	-	-
Accrued and other liabilities	762,098	-	-	-
Deferred revenue	459,730	253,942	-	-
Long-term debt (Note 5)	-	-	-	2,299,235
Total liabilities	3,652,917	1,633,862	-	3,144,171
<b>Fund Equity (Deficit)</b>				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	3,235,884
Fund balances (deficit):				
Reserved for development agreement (Note 10)	-	-	-	-
Reserved for prepaid expenditures and deposits	21,750	-	-	-
Unreserved	1,013,079	2,951,541	285,928	-
Total fund equity (deficit)	1,034,829	2,951,541	285,928	3,235,884
Total liabilities and fund equity (deficit)	<u>\$ 4,687,746</u>	<u>\$ 4,585,403</u>	<u>\$ 285,928</u>	<u>\$ 6,380,055</u>

**Combined Balance Sheet - All Fund Types,  
Account Groups, and Component Units  
June 30, 2003**

Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units
Trust and Agency	General Fixed Assets	General Long-term Debt		
\$ 4,895,483	\$ -	\$ -	\$ 9,724,258	\$ 77,660
-	-	-	763,850	-
-	-	-	2,617,669	-
-	-	-	208,884	-
-	-	-	2,574,086	182,955
397,414	-	-	3,163,931	6,879
-	-	-	83,764	-
-	-	-	21,750	-
-	8,579,525	-	10,653,362	-
-	-	285,928	285,928	-
-	-	16,637,341	16,637,341	-
<b>\$ 5,292,897</b>	<b>\$ 8,579,525</b>	<b>\$ 16,923,269</b>	<b>\$ 46,734,823</b>	<b>\$ 267,494</b>
\$ 75,009	\$ -	\$ -	\$ 2,025,465	\$ 233,876
439,709	-	-	439,709	40,605
458,442	-	-	3,163,931	6,879
-	-	-	-	83,764
29,465	-	-	791,563	10,591
-	-	-	713,672	-
-	-	16,923,269	19,222,504	-
1,002,625	-	16,923,269	26,356,844	375,715
-	8,579,525	-	8,579,525	-
-	-	-	3,235,884	-
4,290,272	-	-	4,290,272	-
-	-	-	21,750	-
-	-	-	4,250,548	(108,221)
4,290,272	8,579,525	-	20,377,979	(108,221)
<b>\$ 5,292,897</b>	<b>\$ 8,579,525</b>	<b>\$ 16,923,269</b>	<b>\$ 46,734,823</b>	<b>\$ 267,494</b>

# City of Hamtramck, Michigan

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Revenue</b>			
Property taxes	\$ 7,183,814	\$ 178,098	\$ 245,960
Income taxes	2,752,048	-	-
Licenses and permits	377,755	-	-
Federal sources	35,014	842,957	-
State sources	4,575,731	1,212,528	-
Charges for services	252,684	-	-
Parking meters and permits	3,742	-	-
Fines and forfeitures	1,008,220	81,273	-
Interest	70,533	38,759	2,036
Other	572,952	21,281	-
Total revenue	16,832,493	2,374,896	247,996
<b>Expenditures</b>			
General government	3,213,116	1,538,837	-
Public safety	8,597,388	159,093	-
Public works	1,667,593	2,059,122	-
Health and welfare	80,644	474,619	-
Recreation and cultural	5,790	168,163	-
Economic development	-	359,120	-
Interest	-	-	-
Employee benefits, insurance, and other	2,413,191	-	-
Debt service	609,901	-	188,288
Total expenditures	16,587,623	4,758,954	188,288
<b>Excess of Revenue Over (Under) Expenditures</b>	244,870	(2,384,058)	59,708
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	2,429,958	-
Operating transfers out	(2,214,222)	(215,736)	-
Total other financing sources (uses)	(2,214,222)	2,214,222	-
<b>Extraordinary Item - Cost recovery (Note 13)</b>	2,872,767	-	-
<b>Changes in Fund Balance</b>	903,415	(169,836)	59,708
<b>Fund Balances (Deficit) - Beginning of year</b>	131,414	3,121,377	226,220
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 1,034,829</u>	<u>\$ 2,951,541</u>	<u>\$ 285,928</u>

**Combined Statement of Revenue, Expenditures, and  
Changes in Fund Balances (Deficit) - All Governmental Fund Types,  
Expendable Trust Fund, and Component Units  
Year Ended June 30, 2003**

Fiduciary Fund Type			
Expendable			
Trust -	Total Primary		
Development	Government		
Agreement	(Memorandum	Component	
Escrow	Only)	Units	
\$ 202,580	\$ 7,810,452	\$ -	
23,280	2,775,328	-	
-	377,755	-	
-	877,971	270,525	
-	5,788,259	-	
-	252,684	-	
-	3,742	223,041	
-	1,089,493	1,393	
91,196	202,524	177	
-	594,233	-	
317,056	19,772,441	495,136	
-	4,751,953	-	
-	8,756,481	-	
-	3,726,715	-	
-	555,263	-	
-	173,953	565,393	
-	359,120	-	
-	-	324	
406,705	2,819,896	72	
-	798,189	-	
406,705	21,941,570	565,789	
(89,649)	(2,169,129)	(70,653)	
-	2,429,958	-	
-	(2,429,958)	-	
-	-	-	
-	2,872,767	-	
(89,649)	703,638	(70,653)	
4,379,921	7,858,932	(37,568)	
<b>\$ 4,290,272</b>	<b>\$ 8,562,570</b>	<b>\$ (108,221)</b>	



# City of Hamtramck, Michigan

General Fund (Note 7)			
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Property taxes	\$ 6,330,000	\$ 7,183,814	\$ 853,814
Income taxes	2,700,000	2,752,048	52,048
Licenses and permits	332,000	377,755	45,755
Federal sources	41,958	35,014	(6,944)
State sources	4,263,180	4,575,731	312,551
Charges for services	722,000	252,684	(469,316)
Parking meters and permits	3,000	3,742	742
Fines and forfeitures	950,000	1,008,220	58,220
Interest	44,000	70,533	26,533
Other	505,400	572,952	67,552
Operating transfers from other funds	-	-	-
Total revenue	15,891,538	16,832,493	940,955
<b>Expenditures</b>			
General government	3,026,440	3,213,116	(186,676)
Public safety	8,626,537	8,597,388	29,149
Public works	2,061,967	1,444,669	617,298
Health and welfare	304,538	303,568	970
Recreation and cultural	-	5,790	(5,790)
Employee benefits, insurance, and other	2,276,213	2,413,191	(136,978)
Debt service	608,401	609,901	(1,500)
Operating transfers to other funds	1,750,000	2,214,222	(464,222)
Total expenditures	18,654,096	18,801,845	(147,749)
<b>Extraordinary Item - Cost recovery</b>	2,900,000	2,872,767	(27,233)
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>\$ 137,442</u>	<u>\$ 903,415</u>	<u>\$ 765,973</u>

**Combined Statement of Revenue and  
Expenditures - Budget and Actual  
General and Special Revenue Fund Types  
Year Ended June 30, 2003**

Special Revenue Funds (Note 7)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 225,000	\$ 178,098	\$ (46,902)
-	-	-
-	-	-
550,750	842,957	292,207
1,134,693	1,212,528	77,835
55,750	-	(55,750)
-	-	-
95,000	81,273	(13,727)
8,906	38,759	29,853
23,167	21,281	(1,886)
<u>1,487,764</u>	<u>2,429,958</u>	<u>942,194</u>
3,581,030	4,804,854	1,223,824
875,000	1,538,837	(663,837)
75,000	159,093	(84,093)
1,302,492	2,059,122	(756,630)
1,832,537	474,619	1,357,918
308,813	527,283	(218,470)
-	-	-
-	-	-
<u>215,736</u>	<u>215,736</u>	<u>-</u>
4,609,578	4,974,690	(365,112)
-	-	-
<u>\$ (1,028,548)</u>	<u>\$ (169,836)</u>	<u>\$ 858,712</u>

# City of Hamtramck, Michigan

## Statement of Revenue, Expenses, and Changes in Retained Earnings Proprietary Fund Type - Enterprise Fund - Water and Sewer Year Ended June 30, 2003

<b>Operating Revenue - Charges for services</b>	<b>\$ 4,638,337</b>
<b>Operating Expenses</b>	
Cost of water	787,900
Cost of sewage disposal	1,937,443
System operation and maintenance:	
Personnel costs	509,399
Infrastructure repair and maintenance	436,394
Other	77,416
Depreciation	<u>139,643</u>
 Total operating expenses	 <u>3,888,195</u>
 <b>Operating Income</b>	 <b>750,142</b>
 <b>Nonoperating Revenue (Expense)</b>	
Interest income	2,359
Interest expense	<u>(67,453)</u>
 Total nonoperating expense	 <u>(65,094)</u>
 <b>Net Income</b>	 <b>685,048</b>
 <b>Retained Earnings</b>	
Beginning of year	<u>2,550,836</u>
 End of year	 <u><b>\$ 3,235,884</b></u>

# City of Hamtramck, Michigan

## Statement of Cash Flows Proprietary Fund Type - Enterprise Fund - Water and Sewer Year Ended June 30, 2003

### Cash Flows from Operating Activities

Operating income	\$ 750,142
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	139,643
Changes in assets and liabilities:	
Receivables	(378,877)
Due from other funds	273,583
Accounts payable	280,757
Due to other funds	<u>32,185</u>
Net cash provided by operating activities	1,097,433

### Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	(584,700)
Payments on meter financing debt service	<u>(831,022)</u>
Net cash used in capital and related financing activities	(1,415,722)

**Cash Flows from Investing Activities - Interest received on investments** 2,359

**Net Decrease in Cash and Cash Equivalents** (315,930)

**Cash and Cash Equivalents - Beginning of year** 1,398,011

**Cash and Cash Equivalents - End of year** \$ 1,082,081

There were no noncash capital, financing, or investing activities.

# City of Hamtramck, Michigan

## Combining Balance Sheet Component Units June 30, 2003

	Downtown Development Authority	31st District Court	Total
<b>Assets</b>			
Cash and investments	\$ 21,569	\$ 56,091	\$ 77,660
Receivables:			
Due from other funds	-	6,879	6,879
Due from other governmental units	182,955	-	182,955
Total assets	<u>\$ 204,524</u>	<u>\$ 62,970</u>	<u>\$ 267,494</u>
<b>Liabilities and Fund Balances (Deficit)</b>			
<b>Liabilities</b>			
Accounts payable	\$ 233,876	\$ -	\$ 233,876
Accrued and other liabilities	-	10,591	10,591
Due to other governmental units	-	40,605	40,605
Due to other funds	-	6,879	6,879
Due to primary government	82,292	1,472	83,764
Total liabilities	316,168	59,547	375,715
<b>Fund Balances (Deficit) - Unreserved -</b>			
Undesignated	(111,644)	3,423	(108,221)
Total liabilities and fund balances (deficit)	<u>\$ 204,524</u>	<u>\$ 62,970</u>	<u>\$ 267,494</u>

# City of Hamtramck, Michigan

## Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Component Units Year Ended June 30, 2003

	Downtown Development Authority	31st District Court	Total
<b>Revenue</b>			
Property taxes	\$ -	\$ -	\$ -
Federal sources	270,525	-	270,525
Fines and fees collected	-	1,393	1,393
Parking meters	223,041	-	223,041
Interest	177	-	177
Other	-	-	-
Total revenue	493,743	1,393	495,136
<b>Expenditures</b>			
Community and economic development	565,393	-	565,393
Interest	324	-	324
Other	-	72	72
Total expenditures	565,717	72	565,789
<b>Excess of Revenue Over (Under) Expenditures</b>	(71,974)	1,321	(70,653)
<b>Fund Balances (Deficit) - July 1, 2002</b>	(39,670)	2,102	(37,568)
<b>Fund Balances (Deficit) - June 30, 2003</b>	<u>\$ (111,644)</u>	<u>\$ 3,423</u>	<u>\$ (108,221)</u>

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Hamtramck, Michigan (the "City") do not conform to generally accepted accounting principles as applicable to governmental units. The City has not modified its financial reporting to adopt Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As such, the general purpose financial statements exclude the Management's Discussion and Analysis, Government-wide Statement of Net Assets, and Government-wide Statement of Activities. Furthermore, the City has not followed the formatting of separately reporting its governmental funds (including major funds), proprietary funds (including major Enterprise Funds) and fiduciary funds. The City has continued to report information by fund type and account group; the General Fixed Assets Account Group excludes general infrastructure assets and accumulated depreciation on general fixed assets.

The following is a summary of the significant accounting policies:

#### **Reporting Entity**

As required by generally accepted accounting principles, these general purpose financial statements present the City of Hamtramck, Michigan and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The following component units are reported within the component units column in the combined general purpose financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the mayor and approved by the City Council. In addition, the Authority's budget is subject to approval by the City Council.
- b. The District Court records the collection of amounts that are subsequently returned to or paid to third parties. The fund also maintains certain fees collected on behalf of the City's General Fund to pay jury fees and certain operating expenditures. The District Court is also collecting a fee to provide funds for the renovation and/or construction of a new court building. The District Court is governed by separately elected judges. However, it is included here because it is fiscally dependent on the City.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Fund Accounting**

The accounts of the City are organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined general purpose financial statements in this report, into generic fund types in three broad fund categories as follows:

#### **Governmental Funds**

**General Fund** - The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

**Debt Service Fund** - The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of an Enterprise Fund.

#### **Proprietary Fund**

**Enterprise Fund** - The Enterprise Fund is used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

#### **Fiduciary Funds**

**Expendable Trust Fund** - The Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

**Trust and Agency Funds** - Trust and Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Basis of Accounting**

The accrual basis of accounting is used by the proprietary fund. All governmental funds, Expendable Trust Funds, Agency Funds, and component units utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- (a) Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31, and the related property taxes become a lien at that time. These taxes are billed on July 1 of the following year, and are due on August 31, with the final collection date of February 28 before they are added to the county tax rolls.

- (b) Noncurrent receivables are recorded at full value, and deferred revenue is recorded for the portion not available for use to finance operations as of year end.
- (c) Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- (d) Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- (e) Normally, expenditures are not divided between years by the recording of prepaid expenses. The prepaid expenditures reported on the balance sheet represent advance payments for next years' services.
- (f) The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-term Debt Account Group.

**Fixed Assets and Long-term Liabilities** - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

### Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the proprietary fund are accounted for in that fund. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary fund on a straight-line basis.

**Cash and Cash Equivalents** - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with original maturities of three months or less from the date of acquisition.

**Investments** - Investments are reported at fair value, based on quoted market prices.

**Memorandum-only Totals** - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to the financial statements.

### Note 2 - Deposits and Investments

The cash and investments of the City at June 30, 2003 are classified by Governmental Accounting Standards Board Statement Number 3 in the following classifications:

Deposits in financial institutions (checking accounts, savings accounts, and certificates of deposit)	\$ 6,183,845
Investments	3,538,668
Petty cash and cash on hand	<u>1,745</u>
Total	<u>\$ 9,724,258</u>

### Note 2 - Deposits and Investments (Continued)

#### Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$10,236,000. Of that amount, up to \$200,000 was covered by federal depository insurance, and the remainder would be uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution, with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Investments

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, obligations issued by or guaranteed by the United States or any agency or instrumentality thereof, and mutual funds and investment pools that are composed of authorized investment vehicles.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at June 30, 2003. Risk Category I includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2003

### Note 2 - Deposits and Investments (Continued)

	Carrying Amount (Market Value)
Category 2 investments:	
U.S. governmental securities	\$ 3,234,566
Uncategorized investments:	
U.S. government pooled investment fund and other bank investment pools*	<u>304,102</u>
Total	<u>\$ 3,538,668</u>

\* These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes these investments comply with the investment authority noted above.

#### Component Units

The cash and investments of the City's component units of \$77,660 are classified by Governmental Accounting Standards Board Statement No. 3 as deposits in financial institutions (checking accounts and savings accounts).

The component unit bank deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$177,747, of which \$100,000 was covered by federal depository insurance.

### Note 3 - Interfund Receivables

The following are the interfund receivables at June 30, 2003:

Fund Due To	Fund Due From	Amount
General Fund	Water and Sewer Fund	\$ 32,185
	911 Emergency Fund	309
	Library Fund	108,741
	Major Street Fund	86,290
	Local Street Fund	26,300
	Community Development Block Grants Fund	23,691
	U.S. Justice Department Grants	77,384
	Tax Collection Fund	391,626
	Property Revitalization Fund	125,869
	General Agency Fund	14,405
Total General Fund		886,800
Special Revenue Funds:		
Major Street	General Fund	110,645
Major Street	Water and Sewer Fund	16,244
Local Street	Major Street Fund	215,736
Local Street	General Fund	59,783
Drug Law Enforcement	General Fund	58,287
Drug Law Enforcement	Misc. State Grants Fund	2,144
Library	General Fund	23,009
Library	Community Development Block Grants Fund	133,120
Library	Tax Collection Fund	3,024
CDBG	General Fund	90,303
CDBG	Misc. State Grants Fund	148
U.S. Justice Department Grants	General Fund	48,857
Miscellaneous State Grants	General Fund	30,183
Property Revitalization	General Fund	396,285
Building and Improvement	General Fund	23,396
Total Special Revenue Funds		1,211,164
Debt Service Funds:		
Court Judgement #2	General Fund	36,908
Court Judgement #2	Tax Collection Fund	25,177
Total Debt Service Funds		62,085

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2003

### Note 3 - Interfund Receivables (Continued)

Fund Due To	Fund Due From	Amount
Water and Sewer Enterprise Fund	General Fund	\$ 584,838
	Tax Collection Fund	21,630
		606,468
Fiduciary Funds:		
Development Agreement Escrow	General Fund	1,806
Development Agreement Escrow	Tax Collection Fund	2,580
Tax Collection Fund	Water and Sewer Enterprise Fund	393,028
		397,414
Total interfund receivables		\$ 3,163,931

### Note 4 - Capital Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land	\$ 808,656	\$ -	\$ -	\$ 808,656
Buildings and improvements	4,715,713	31,080	-	4,746,793
Equipment	2,864,919	159,157	-	3,024,076
Total	\$ 8,389,288	\$ 190,237	\$ -	\$ 8,579,525

The Water and Sewer Fund has only recorded assets acquired after June 30, 1986. A summary of Water and Sewer Fund fixed assets at June 30, 2003 is as follows:

	Enterprise Fund	Depreciable Life - Years
Land, building, and improvements	\$ 690,700	15
Machinery and equipment	2,080,526	5-15
Total	2,771,226	
Less accumulated depreciation	(697,389)	
Net	\$ 2,073,837	

### Note 5 - Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the City at June 30, 2003:

	July 1, 2002	Additions (Reductions)	June 30, 2003
<b>General Obligation Bonds</b>			
1992 Series A refunding bonds, issued in the amount of \$4,095,000. Principal payments are due annually on May 1, with interest ranging from 4.50 percent to 6.75 percent	\$ 3,130,000	\$ (215,000)	\$ 2,915,000
1992 Series B refunding bonds, issued in the amount of \$2,370,000. Principal payments are due annually on May 1, with interest ranging from 6.1 percent to 6.75 percent	595,000	(150,000)	445,000
<b>Fiscal Stabilization Bonds</b>			
2002 fiscal stabilization bonds, issued in the amount of \$2,500,000. Principal payments are due annually on November 1, with interest ranging from 2.95 percent to 5.15 percent	2,405,000	(75,000)	2,330,000
January 2001 Revitalization Revolving Loan in the amount of \$300,000. Principal payments are due annually on January 10 beginning in 2005, with interest at 2.25 percent	300,000	(300,000)	-
<b>Installment Purchase Agreement Contracts</b>			
1999 in the amount of \$318,430. Principal payments are due monthly, with interest at 4.41 percent	135,740	(66,350)	69,390
Computer hardware and software purchased in August 1999 in the amount of \$130,543. Principal payments are due monthly, with interest at 4.41 percent	51,399	(27,032)	24,367

### Note 5 - Long-term Debt (Continued)

	July 1, 2002	Additions (Reductions)	June 30, 2003
<b>Accumulated Benefits, Insurance, and Other</b>			
Lawsuits and asserted claims (see Note 12)	\$ 8,250,000	\$ -	\$ 8,250,000
Accumulated sick, vacation, and other days	1,975,863	142,625	2,118,488
Estimated insurance claims (see Note 6):			
Workers' compensation	710,904	(64,880)	646,024
General liability	125,000	-	125,000
 Total General Long-term Debt Account Group	 \$ 17,678,906	 \$ (755,637)	 \$ 16,923,269
 <b>Enterprise Fund Debt</b>			
Restructure of past due City of Detroit water and sewer charges in January 2002 into an installment note in the amount of \$3,472,346. Principal payments are due monthly, with no interest due	\$ 1,672,346	\$ (600,000)	\$ 1,072,346
Water meter equipment and software purchased in February 2002 in the amount of \$1,348,290. Principal payments are due monthly beginning in July 2002, with interest at 5.24 percent	1,348,290	(163,569)	1,184,721
Accumulated sick, vacation, and other days	42,168	-	42,168
 Total Enterprise Fund Debt	 3,062,804	 (763,569)	 2,299,235
 Total long-term debt	 \$ 20,741,710	 \$ (1,519,206)	 \$ 19,222,504



# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2003

### Note 5 - Long-term Debt (Continued)

**Debt Service Requirements** - The annual requirements to service all debt outstanding as of June 30, 2003 (excluding lawsuits and asserted claims, accumulated employee benefits, and estimated insurance claims), including both principal and interest, are as follows:

Years Ending June 30	General Obligations	Enterprise Funds	Total
2004	\$ 885,034	\$ 831,015	\$ 1,716,049
2005	790,093	703,355	1,493,448
2006	769,138	231,007	1,000,145
2007	642,096	231,006	873,102
2008	651,212	231,005	882,217
Remaining years	4,257,226	231,454	4,488,680
Total	<u>\$ 7,994,799</u>	<u>\$ 2,458,842</u>	<u>\$ 10,453,641</u>

**Interest** - Total interest incurred for the City for the year approximated \$431,000.

### Note 6 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for general liability, fleet, dishonesty, boiler, and medical benefits claims. The City is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 6 - Risk Management (Continued)

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. In addition, the City estimates the general liability claims that are in excess of its deductible limits. These estimates are recorded in the General Long-term Debt Account Group. Changes in the estimated liability for the past fiscal year were as follows:

	Workers' Compensation	General Liability
Estimated liability - June 30, 2001	\$ 771,691	\$ 665,000
Estimated claims incurred, including changes in estimates	150,127	(484,598)
Claim payments	(210,914)	(55,402)
Estimated liability - June 30, 2002	710,904	125,000
Estimated claims incurred, including changes in estimates	(14,858)	23,274
Claim payments	(50,022)	(23,274)
Estimated liability - June 30, 2003	<u>\$ 646,024</u>	<u>\$ 125,000</u>

### Note 7 - Budget Information

The annual budget was prepared by the Emergency Financial Manager, including any subsequent amendments. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. For budget purposes, the City began allocating most employee benefits directly to each department for the June 30, 2003 budget year. However, the accounting records continue to charge these expenditures to a single function, in accordance with the State chart of accounts. Therefore, the actual expenditures reported for each department are not aggregated on the same basis as the budget amounts. This significantly affects the ability to compare actual expenditures to budgeted amounts.

### Note 7 - Budget Information (Continued)

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exception:

- Operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”

The budget statement (combined statement of revenue and expenditures - budget and actual - General and Special Revenue Fund types) is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budget statement to the operating statement (combined statement of revenue, expenditures, and changes in fund balances (deficit) - all governmental fund types, expendable trust fund, and component units):

	General Fund		Special Revenue Funds	
	Total	Total	Total	Total
	Total Revenue	Expenditures	Total Revenue	Expenditures
Amounts per operating statement	\$ 16,832,493	\$ 16,587,623	\$ 2,374,896	\$ 4,758,954
Operating transfers budgeted as revenue and expenditures	-	2,214,222	2,429,958	215,736
Amounts per budget statement	<u>\$ 16,832,493</u>	<u>\$ 18,801,845</u>	<u>\$ 4,804,854</u>	<u>\$ 4,974,690</u>

The General Fund budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget is included in the additional information. This comparison includes expenditure budget overruns. The Special Revenue Funds’ budget has been adopted on a total revenue/total expenditure basis. A comparison of the actual results of operations to the Special Revenue Fund budgets is available at the clerk’s office for inspection.

### Note 7 - Budget Information (Continued)

Expenditure budget overruns were as follows:

	Budget	Actual
General Fund:		
District court	\$ 442,243	\$ 462,233
Mayor's office	230,351	305,792
Legal	380,000	505,532
Treasurer	188,692	198,321
Building and grounds	246,185	402,247
Chore	58,971	63,167
Fire	3,574,053	3,675,833
Highways and streets	375,467	376,718
Equipment rental	-	389
Employee benefits	1,720,000	2,334,825
Recreation and culture	-	5,790
Debt service	608,401	609,901
Operating transfer out	1,750,000	2,214,222
Special Revenue Funds:		
Major streets - public works	833,292	979,493
Local streets - public works	469,200	1,079,629
Drug law enforcement - public safety	75,000	135,498
U.S. Justice department grants - health and welfare	55,000	217,347
Building and improvement - general government	875,000	1,538,837

The Community Development Block Grant Fund had a fund deficit at June 30, 2003 of \$101,438. The deficit is the result of timing difference between grant-related expenditures and reimbursements from the granting agency. The fund deficit will be eliminated when the grant reimbursements are received in the upcoming fiscal year. In addition, the Downtown Development Authority (a discretely presented component unit) had a deficit at June 30, 2003.

### **Note 8 - Postemployment Benefits**

The City provides health care, dental, and life insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 168 retirees are eligible for dental and health care benefits and 81 retirees are eligible for life insurance. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for the postemployment benefits are recognized as the insurance premiums become due; during the year, this amounted to \$829,612.

### **Note 9 - Pension Plan**

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers substantially all full-time employees of the City. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent.

**Annual Pension Cost** - For the year ended June 30, 2003, the City's annual pension cost of \$3,110,653 for the plan was equal to the City's required and actual contribution. All contributions were paid prior to year end. The annual required contribution was determined as part of an actuarial valuation at December 31, 2000, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.50 percent to 8.66 percent per year, and (c) the assumption that benefits will increase 2.5 percent per year for those retiring before March 1, 1977 and April 1, 1995. Both (a) and (b) include an inflation component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 30 years.

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2003

### Note 9 - Pension Plan (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2003	2002	2001
Annual pension cost (APC)	\$ 3,110,653	\$ 2,727,111	\$ 2,524,668
Percentage of APC contributed	100%	100%	100%
Net pension obligation	unknown	unknown	unknown
	Actuarial Valuation as of December 31		
	2002	2001	2000
Actuarial value of assets	\$ 54,601,050	\$ 55,973,380	\$ 54,914,066
Actuarial Accrued Liability (AAL)			
(entry age normal)	<u>82,335,636</u>	<u>82,994,648</u>	<u>80,269,193</u>
Unfunded AAL (UAAL)	<u>\$ 27,734,586</u>	<u>\$ 27,021,268</u>	<u>\$ 25,355,127</u>
Funded ratio	66%	67%	68%
Covered payroll	\$ 6,324,501	\$ 6,085,620	\$ 6,944,817
UAAL as a percentage of covered payroll	439%	444%	365%

**Policemen and Firemen Plan** - Prior to 1994, the City operated a self-administered pension system for its police and fire personnel. During the 1980s and early 1990s, the City did not fully fund this pension system in accordance with actuarially required contributions. In June 1994, the Wayne County Circuit Court (the "Court") ordered the City's pension plan to be transferred to the Michigan Municipal Employees' Retirement System. The Court also ordered the City to fund the total unfunded accrued liability of \$37,886,752 over a 20-year period in annual installments. The City's annual pension contribution includes a provision to fund this unfunded liability. As a result of the underpayments during the 1980s and early 1990s, the City has a net pension obligation. However, this amount has not been calculated by either the actuary or the City.

### Note 10 - The Wyandotte Project (Michigan R-31)

A class action lawsuit was brought against the City by minority residents who lived in the R-31 Urban Renewal Area (Wyandotte Project) who allege discrimination in the City's Urban Development Program.

### **Note 10 - The Wyandotte Project (Michigan R-3 I) (Continued)**

The Court determined that there was merit to the complaint, and the decision ordered the City to set up a Tax Increment Financing Authority (TIFA) district in the R-3 I area. All revenue collected in this area, including property taxes, income tax, permit, interest, and property sales, must be placed in a separate fund and used for the construction of housing for the families displaced by the development project.

The City is currently in the process of satisfying the judgment and spent approximately \$407,000 during the year ended June 30, 2003. The Development Agreement Escrow Fund was created to accumulate the earmarked revenue and has a reserved fund balance of \$4,290,272 at June 30, 2003.

In addition to the above funds set aside for the project, the court has also required the following commitments relating to the project:

- Provide up to \$750,000 of Section 108 Community Development Block Grant loan proceeds to be used for implementation of the project. The City has spent approximately \$166,000 as of June 30, 2003. Act 51 funds will be used to repay this loan.
- Provide up to \$500,000 of Wayne County Brownfield Redevelopment Authority Loan Fund proceeds to be used for the remediation of environmental problems. The City has spent approximately \$20,000 of these proceeds.
- Provide up to \$650,000 of Brownfield Economic Development Initiative Program Loan proceeds to be used for the completion of the project. The City has not begun to use these proceeds for completion of the project as of June 30, 2003.
- Provide CDBG funds for the fiscal years 2004 and thereafter to be used for the completion of all infrastructure and site preparation that are permissible uses of CDBG funds.

The City is uncertain if the funds collected to date and the additional commitments noted above will be sufficient to cover the entire cost of the project.

### **Note 11 - Central Industrial Park Project (CIPP) Interlocal Agreement**

The CIPP Interlocal Agreement is an agreement between the City, Wayne County, and the City of Detroit regarding the distribution of property tax and income tax revenues generated from the GM Poletown property. Under the agreement, the City is guaranteed to receive 50 percent of the first \$3.4 million collected and the City of Detroit will receive the other 50 percent. Any amounts collected over \$3.4 million will be distributed to each city based on the allocation of the qualifying project costs. If excess collections are received after project costs are paid, the balance will be distributed 1/3 to Hamtramck and 2/3 to Detroit. Collections for the year ended June 30, 2003 totaled approximately \$1,701,000.

### **Note 12 - Lawsuit Settlement**

The Court has issued a judgment against the City concerning the calculation of pension benefits owed to employees. The amount of damages equals \$8.25 million including interest. The judgment allows the City to place the above award on the tax rolls. The total mills required to satisfy the judgment are approximately 49. Approximately 7 mills will be levied on each billing (summer and winter) over the next three and half years. The City has recorded a liability for this loss in the General Long-term Debt Account Group.

### **Note 13 - Environmental Commitment**

In June 2002, the City and additional defendants entered into a consent judgment with the State of Michigan and Michigan Department of Environmental Quality (MDEQ) to clean up a piece of property. The agreement called for the additional defendants to provide \$4,035,000 to a trust administered by a third party to be used to complete the cleanup of the property. In the prior year, the City and the MDEQ agreed on a plan. The City completed the cleanup during the current year and the total costs approximated \$1,162,000. The agreement stated that the balance of any funds remaining would revert to the City. The City has received approximately \$2,431,000 and has placed approximately \$442,000 in a trust for future operating and maintenance costs related to the property.



### Note 14 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall - July 1, 2002	\$ (30,320)
Current year building permit revenue	172,039
Related expenses:	
Direct costs	239,314
Estimated indirect costs	<u>95,726</u>
Total construction code expenses	<u>335,040</u>
Cumulative shortfall - June 30, 2003	<u><u>\$(193,321)</u></u>

## **Additional Information**

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To the Emergency Financial Manager,  
Honorable Mayor, and City Council  
City of Hamtramck, Michigan

We have audited the general purpose financial statements of the City of Hamtramck, Michigan for the year ended June 30, 2003. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the City of Hamtramck, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Plante & Moran, PLLC*

December 12, 2003

## **General Fund**

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The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are funded by revenues from state-shared revenues, general property taxes, fees, and other sources. The schedules comparing revenue and expenditures - budget to actual compare the activity budgets (the level in which expenditures may not legally exceed appropriations) to actual revenues and expenditures.

# City of Hamtramck, Michigan

## General Fund - Schedule of Revenue, Expenditures, and Changes in Fund Balance by Activity Budget and Actual Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Property taxes:			
Property taxes	\$3,621,520	\$ 4,026,282	\$ 404,762
GM revenue	1,700,000	1,736,685	36,685
Payments in lieu of taxes	1,008,480	1,420,847	412,367
Total property taxes	6,330,000	7,183,814	853,814
Income taxes	2,700,000	2,752,048	52,048
Licenses and permits:			
Business	107,000	205,716	98,716
Nonbusiness	225,000	172,039	(52,961)
Total licenses and permits	332,000	377,755	45,755
Federal sources	41,958	35,014	(6,944)
State sources	4,263,180	4,575,731	312,551
Charges for services	722,000	252,684	(469,316)
Parking meters and permits	3,000	3,742	742
Fines and forfeitures	950,000	1,008,220	58,220
Interest	44,000	70,533	26,533
Other	505,400	572,952	67,552
Total revenue	15,891,538	16,832,493	940,955

# City of Hamtramck, Michigan

## General Fund - Schedule of Revenue, Expenditures, and Changes in Fund Balance by Activity Budget and Actual (Continued) Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures</b>			
General government:			
Legislative	\$ 161,967	\$ 156,892	\$ 5,075
District Court	442,243	462,233	(19,990)
Mayor's office	230,351	305,792	(75,441)
Elections	115,743	100,160	15,583
Assessor	88,208	83,678	4,530
Legal	380,000	505,532	(125,532)
Clerk	111,702	84,081	27,621
Controller	503,999	411,264	92,735
Treasurer	188,692	198,321	(9,629)
Building and grounds	246,185	402,247	(156,062)
Income tax	230,683	219,648	11,035
Civil service	170,023	148,700	21,323
Chore	58,971	63,167	(4,196)
Community/Economic Development	97,673	71,401	26,272
Total general government	3,026,440	3,213,116	(186,676)
Public safety:			
Police	4,897,226	4,791,620	105,606
Fire	3,574,053	3,675,833	(101,780)
Auto theft grant	155,258	129,935	25,323
Total public safety	8,626,537	8,597,388	29,149
Public works:			
Garage	398,668	34,727	363,941
Building and engineering	2,832	2,804	28
Highways and streets	375,467	376,718	(1,251)
Sanitation	1,285,000	1,030,420	254,580
Total public works	2,061,967	1,444,669	617,298

# City of Hamtramck, Michigan

## General Fund - Schedule of Revenue, Expenditures, and Changes in Fund Balance by Activity Budget and Actual (Continued) Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures (Continued):</b>			
Health and welfare:			
Housing Code enforcement	\$ 78,738	\$ 78,586	\$ 152
Housing rental inspection	223,000	222,924	76
Equipment rental	-	389	(389)
Zoning Commission	2,800	1,669	1,131
Total health and welfare	304,538	303,568	970
Recreation and cultural	-	5,790	(5,790)
Employee benefits and other:			
Employee benefits	2,141,213	2,334,825	(193,612)
Other	135,000	78,366	56,634
Total employee benefits and other	2,276,213	2,413,191	(136,978)
Debt service	608,401	609,901	(1,500)
Operating transfers out	1,750,000	2,214,222	(464,222)
Total expenditures	18,654,096	18,801,845	(147,749)
<b>Extraordinary Item - Cost recovery</b>	<u>2,900,000</u>	<u>2,872,767</u>	<u>(27,233)</u>
<b>Change in Fund Balance</b>	<u><b>\$ 137,442</b></u>	903,415	<u><b>\$ 765,973</b></u>
<b>Fund Balance - Beginning of year</b>		<u>131,414</u>	
<b>Fund Balance - End of year</b>		<u><b>\$ 1,034,829</b></u>	

# Special Revenue Funds

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Special Revenue Funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The City of Hamtramck has 10 Special Revenue Funds that are accounted for separately. A description of the Special Revenue Funds maintained by the City is as follows:

## **Major Street Fund**

This fund records the construction, maintenance, and repairs of all major streets. Revenues received include state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

## **Local Street Fund**

This fund records the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, bonding, etc. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

## **Library Fund**

This fund records the operating activities of the City's public library. Activities are funded by revenues from property taxes, state aid, and other fines and fees. Expenditures consist primarily of wages.

## **U.S. Justice Department Grants Fund**

This fund records amounts received from the U.S. Department of Justice for the COPS More Award and Local Law Enforcement Block Grants. Funds are expended on such programs as hiring additional law enforcement officers and other crime prevention tools.

## **Community Development Block Grant Fund**

This fund records pass-through funding received from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants (CDBG). Funds are expended on such programs as housing rehabilitation, social services agencies, and restorations of historical sites.

## **911 Emergency Fund**

An Emergency 911 utility surcharge is imposed on all telephone customers in Wayne County. Money collected is distributed to local communities. Expenditure of these funds is restricted to qualifying expenses as defined by the State of Michigan. This fund was created to account for the receipt and expenditure of these Emergency 911 Utility Tax funds.



# **Special Revenue Funds (Continued)**

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## **Drug Law Enforcement Fund**

This fund records monies received from the Federal Drug Enforcement Agency for law enforcement purposes and for state funds related to drug enforcement purposes. These monies are to be used to supplement existing drug enforcement funds in the law enforcement field.

## **Miscellaneous State Grants Fund**

This fund records pass-through funding received from the State of Michigan Department of Justice Training Fund. Funds are expended on training programs for law enforcement officers.

## **Building and Improvement Fund**

This fund records the collection of fees levied on civil infractions and misdemeanors tickets. The purpose of the levy is to provide funds for renovation, expanding, and/or erecting and building new facilities.

## **Property Revitalization Fund**

This fund records the proceeds from the Brownfield Revitalization loan. The proceeds from this loan are to be used for property cleanup.

# City of Hamtramck, Michigan

	Major Street	Local Street	Library	U.S. Justice Department Grants	Community Development Block Grant
<b>Assets</b>					
Cash and investments	\$ 913,018	\$ 39,678	\$ -	\$ 151,391	\$ 13,725
Receivables:					
Taxes	-	-	15,074	-	-
Other	-	-	-	-	121,608
Due from other governmental units	149,038	144,527	-	2,421	-
Due from other funds	126,889	275,519	159,153	48,857	90,451
Total assets	<u>\$ 1,188,945</u>	<u>\$ 459,724</u>	<u>\$ 174,227</u>	<u>\$ 202,669</u>	<u>\$ 225,784</u>
<b>Liabilities and Fund Balances (Deficit)</b>					
<b>Liabilities</b>					
Accounts payable	\$ 155,897	\$ 265,431	\$ 2,629	\$ 663	\$ 36,246
Due to other funds	302,026	26,300	108,741	77,384	156,811
Deferred revenue	-	-	-	119,777	134,165
Total liabilities	457,923	291,731	111,370	197,824	327,222
<b>Fund Balances (Deficit)- Unreserved</b>	<u>731,022</u>	<u>167,993</u>	<u>62,857</u>	<u>4,845</u>	<u>(101,438)</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,188,945</u>	<u>\$ 459,724</u>	<u>\$ 174,227</u>	<u>\$ 202,669</u>	<u>\$ 225,784</u>

**Special Revenue Funds  
Combining Balance Sheet  
June 30, 2003**

911 Emergency	Drug Law Enforcement	Miscellaneous State Grants	Building and Improvement	Property Revitalization	Total
\$ 128,232	\$ 580,383	\$ 8,391	\$ 975,000	\$ 131,753	\$ 2,941,571
-	-	-	-	-	15,074
-	-	-	-	-	121,608
-	-	-	-	-	295,986
-	60,431	30,183	23,396	396,285	1,211,164
<b><u>\$ 128,232</u></b>	<b><u>\$ 640,814</u></b>	<b><u>\$ 38,574</u></b>	<b><u>\$ 998,396</u></b>	<b><u>\$ 528,038</u></b>	<b><u>\$ 4,585,403</u></b>
\$ 196	\$ 518	\$ 700	\$ 108,962	\$ 8,946	\$ 580,188
309	-	2,292	-	125,869	799,732
-	-	-	-	-	253,942
505	518	2,992	108,962	134,815	1,633,862
127,727	640,296	35,582	889,434	393,223	2,951,541
<b><u>\$ 128,232</u></b>	<b><u>\$ 640,814</u></b>	<b><u>\$ 38,574</u></b>	<b><u>\$ 998,396</u></b>	<b><u>\$ 528,038</u></b>	<b><u>\$ 4,585,403</u></b>

# City of Hamtramck, Michigan

	Major Street	Local Street	Library	U.S. Justice Department Grants	Community Development Block Grant
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ 178,098	\$ -	\$ -
Federal grants	-	-	-	216,683	168,349
State grants and distributions	862,944	263,321	-	-	-
Fines and forfeitures	-	-	31,641	-	-
Interest	20,700	8,716	-	-	-
Other	-	-	21,281	-	-
Total revenue	883,644	272,037	231,020	216,683	168,349
<b>Expenditures</b>					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	979,493	1,079,629	-	-	-
Health and welfare	-	-	-	217,347	246,338
Recreation and cultural	-	-	168,163	-	-
Economic development	-	-	-	-	-
Total expenditures	979,493	1,079,629	168,163	217,347	246,338
<b>Excess of Revenue Over (Under) Expenditures</b>	(95,849)	(807,592)	62,857	(664)	(77,989)
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	313,872	-	65,111	-
Operating transfer out	(215,736)	-	-	-	-
Total other financing sources (uses)	(215,736)	313,872	-	65,111	-
<b>Changes in Fund Balance</b>	(311,585)	(493,720)	62,857	64,447	(77,989)
<b>Fund Balances (Deficit) - July 1, 2002</b>	1,042,607	661,713	-	(59,602)	(23,449)
<b>Fund Balances (Deficit) - June 30, 2003</b>	<u>\$ 731,022</u>	<u>\$ 167,993</u>	<u>\$ 62,857</u>	<u>\$ 4,845</u>	<u>\$ (101,438)</u>

**Special Revenue Funds**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances (Deficit)**  
**Year Ended June 30, 2003**

911 Emergency	Drug Law Enforcement	Miscellaneous State Grants	Building and Improvement	Property Revitalization	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,098
-	457,925	-	-	-	842,957
-	86,263	-	-	-	1,212,528
-	-	-	49,632	-	81,273
1,619	7,534	190	-	-	38,759
-	-	-	-	-	21,281
1,619	551,722	190	49,632	-	2,374,896
-	-	-	1,538,837	-	1,538,837
23,595	135,498	-	-	-	159,093
-	-	-	-	-	2,059,122
-	-	10,934	-	-	474,619
-	-	-	-	-	168,163
-	-	-	-	359,120	359,120
23,595	135,498	10,934	1,538,837	359,120	4,758,954
(21,976)	416,224	(10,744)	(1,489,205)	(359,120)	(2,384,058)
-	-	-	1,298,728	752,247	2,429,958
-	-	-	-	-	(215,736)
-	-	-	1,298,728	752,247	2,214,222
(21,976)	416,224	(10,744)	(190,477)	393,127	(169,836)
149,703	224,072	46,326	1,079,911	96	3,121,377
<u>\$ 127,727</u>	<u>\$ 640,296</u>	<u>\$ 35,582</u>	<u>\$ 889,434</u>	<u>\$ 393,223</u>	<u>\$ 2,951,541</u>

# **Trust and Agency Funds**

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Trust Funds account for assets held by the City in a trustee capacity. Agency Funds account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. A description of the Trust and Agency Funds maintained by the City is as follows:

## **Expendable Trust - Development Agreement Escrow Fund**

This fund records money held in trust resulting from a 1981 court judgment. The judgment required the City to create a Tax Increment Finance Authority (TIFA) District (R-31). All revenues including property taxes, income taxes, and sale and building permit proceeds must be held in this fund and used for the replacement and rehabilitation of homes in this district. The judgment called for the creation of two corporations to supervise the development in this district.

## **Tax Collection Agency Fund**

This fund records the current tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the City funds and to other governmental units on a timely distribution basis. The fund also receives and distributes proceeds from delinquent personal property tax collections.

## **General Agency Fund**

The fund is used to record Public Act 495 escrow receipts and subsequent disbursements.

# City of Hamtramck, Michigan

## Trust and Agency Funds Combining Balance Sheet June 30, 2003

	Expendable Trust - Development Agreement Escrow	Agency		
		Tax Collection	General	Total
<b>Assets</b>				
Cash and investments	\$ 4,360,894	\$ 490,718	\$ 43,871	\$ 4,895,483
Due from other funds	<u>4,386</u>	<u>393,028</u>	<u>-</u>	<u>397,414</u>
Total assets	<u><b>\$ 4,365,280</b></u>	<u><b>\$ 883,746</b></u>	<u><b>\$ 43,871</b></u>	<u><b>\$ 5,292,897</b></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 75,008	\$ -	\$ -	\$ 75,008
Due to other governmental units	-	439,709	-	439,709
Due to other funds	-	444,037	14,405	458,442
Accrued and other liabilities	<u>-</u>	<u>-</u>	<u>29,466</u>	<u>29,466</u>
Total liabilities	75,008	883,746	43,871	1,002,625
<b>Fund Balances - Reserved for</b>				
development agreement escrow	<u>4,290,272</u>	<u>-</u>	<u>-</u>	<u>4,290,272</u>
Total liabilities and fund balances	<u><b>\$ 4,365,280</b></u>	<u><b>\$ 883,746</b></u>	<u><b>\$ 43,871</b></u>	<u><b>\$ 5,292,897</b></u>